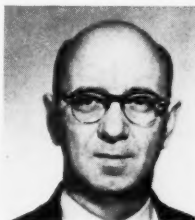




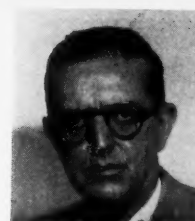
The National Insurance Buyer

CORPORATE INSURANCE MANAGEMENT

• AN INFORMED BUYER IS A BETTER BUYER •



SEE PAGE 3

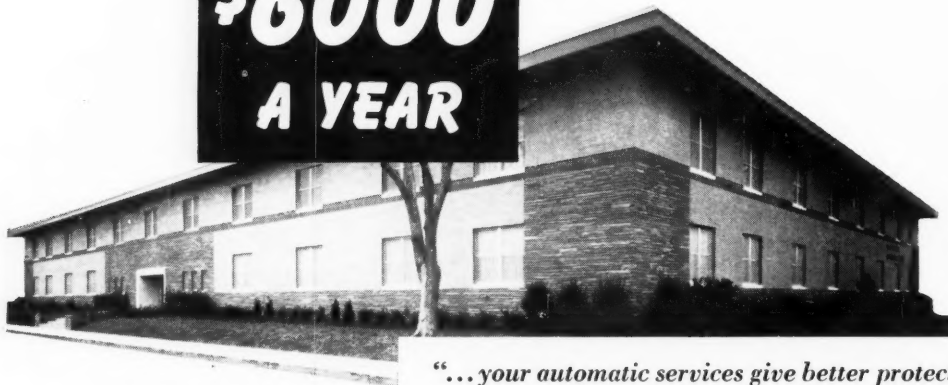


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CHAPTER OFFICERS

DATES AND MEETING PLACES OF CHAPTERS

2 NORTHERN CALIFORNIA CHAPTER

Meetings—3rd Wednesday of each month. Dinner, 6:00 P.M., Gino's, San Francisco
President—R. C. Ploss, University of California, Berkeley
Vice Pres.—Stanley Freese, Matson Navigation Co., San Francisco
Secretary—Miss M. Chalmers, Fibreboard Products, San Francisco
Treasurer—Paul Uhl, Golden State Company, Ltd., San Francisco

SOUTHERN CALIFORNIA INSURANCE BUYERS ASSOCIATION

Meetings—3rd Wednesday of each month. Dinner, 6:00 P.M., Mona Lisa, Los Angeles
President—William A. Miller, Lane-Wells Company, Los Angeles, Calif.
Secretary—E. C. Jones, Southern California Edison Co., Los Angeles, Calif.
Treasurer—George P. Kohl, California Bank, Los Angeles, Calif.

3 CENTRAL ILLINOIS INSURANCE MANAGERS ASSOCIATION

Meetings—2nd Thursday each month at Funk Brothers Seed Company, Bloomington, Ill.
President—E. W. Rolley, Funk Bros. Seed Co., Bloomington, Illinois
Vice Pres.—G. T. Heinrich, Caterpillar Tractor Co., Peoria, Illinois
Sec'y-Treas.—A. A. Baker, Funk Bros. Seed Co., Bloomington, Illinois

5 MID-WEST INSURANCE BUYERS ASSOCIATION, INC.

Meetings—3rd Thursday of each month, September through May.
Dinner, 6:00 P.M., Chicago Bar Association, Chicago
President—Frazier S. Wilson, United Air Lines, Inc., Chicago, Ill.
Vice Pres.—Henry C. Austin, Standard Oil Company, Chicago, Ill.
Secretary—Miss Ann Auerbach, Goldblatt Bros., Inc., Chicago, Ill.
Treasurer—Louis J. Ronder, Continental Ill. National Bank and Trust, Chicago, Ill.

4 MINNESOTA CHAPTER

Meetings—4th Tuesday of each month, Dinner, 6:30 P.M. at Covered Wagon, Minneapolis
President—H. E. Townner, Minnesota Mining and Mfg., St. Paul
Vice Pres.—A. Don Marvin, Green Giant Company, LeSueur
Sec'y-Treas.—Paul Mucke, Gamble-Skogmo, Inc., Minneapolis

1 NEW YORK CHAPTER

Meetings—4th Thursday each month, except July and August
Luncheon, 12:20 P.M., Hotel Martinique, New York City
President—Claude H. Rice, The Babcock and Wilcox Company, New York
1st Vice Pres.—Raymond Cox, Arabian American Oil Co., New York
2nd Vice Pres.—W. D. McGuinness, The Port of New York Authority, New York
Secretary—E. W. Pickel, Foster-Wheeler Corporation, New York
Treasurer—H. S. Goodwin, McKesson & Robbins, Inc., New York

CINCINNATI CHAPTER

Meetings—1st Wednesday each month, except July and August
Luncheon, 12:00 Noon, Netherland Plaza, Cincinnati
President—Mrs. L. M. Clore, Thomas Emery's Sons, Inc., Cincinnati
Vice Pres.—C. H. Thiel, Federated Department Stores, Inc., Cincinnati
Treasurer—R. O. Brosius, Gardner Road & Carton Company, Middletown
Asst. Treas.—T. J. McAdams, The Kroger Company, Cincinnati
Secretary—C. J. Haack, The Eagle-Picher Company, Cincinnati

PORTLAND, OREGON CHAPTER

Meetings—2nd Wednesday of each month. Dinner, 6:00 P.M., Multnomah Hotel
President—E. J. Glenn, Willamette Iron & Steel Company, Portland
Vice Pres.—W. A. Patterson, Dant & Russell Co., Portland
Sec'y-Treas.—William J. Wood, Roberts Bros., Portland

DELAWARE VALLEY CHAPTER

Meetings—3rd Monday each month. Dinner, 6:00 P.M., University Club, 16th and Locust Streets, Philadelphia
President—Thomas R. Ambler, Smith, Kline & French, Philadelphia
Vice Pres.—William H. Lockhard, Publicker Industries, Philadelphia
Secretary—J. Stephen Peters, Pennsylvania Salt Mfg. Co., Philadelphia
Treasurer—Ernest N. Gilbert, Penn Mutual Life Insurance Co., Philadelphia



The National Insurance Buyer

CORPORATE INSURANCE MANAGEMENT



THIS, the First Issue of the new "National Insurance Buyer—Corporate Insurance Management" magazine is dedicated to the First President of our organization, Harry E. Goodell and the following Resolution has been recorded and prepared in a scroll for presentation.

BE IT RESOLVED, That,

We, the Directors and Members of the National Insurance Buyers Association, Inc., hereby extend greetings and best wishes to Harry E. Goodell who served as President of our National Association from November, 1951 to November, 1953.

His leadership, courage, enthusiasm, and devotion has been an invaluable contribution to the perpetuation of the National Insurance Buyers Association, Inc.

We take this means to express the gratitude and thanks of the entire organization for a job well done.

THE COVER

THE PHOTOGRAPHS

Top Center

BURTON E. KELLEY—*President*
Insurance Manager
United States Plywood Corporation
New York, N. Y.

Top Left

JOHN F. BURKE—*First Vice President*
Vice President-Manager
Coast Service Company
San Francisco, California

Top Right

LOWE H. WIGGERS—*Second Vice President*
Manager, Insurance and Real Estate Department
The Procter & Gamble Company
Cincinnati, Ohio

Lower Left

GEORGE E. ROGERS—*Treasurer*
Insurance Manager
Robert Gair Company, Inc.
New York, N. Y.

Lower Right

PETER A. BURKE—*Secretary-Managing Director*
NIBA—New York, N. Y.

THE MAP

- Organized Chapters or Affiliates
- States represented in NIBA membership

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Buyergram

NEW YORK

Compulsory Automobile Insurance

A major defeat was handed the proponents of Compulsory Automobile Insurance when the New York State Legislature, in the closing hours of the recent legislative session, defeated the Hultz bill, better known as Compulsory Automobile Insurance. This legislation was vigorously opposed by the Stock, Fire and Casualty companies, but had the endorsement of Gov. Dewey and the Department of Insurance of the State of New York, headed by Alfred J. Bohlinger, Superintendent.

The effect of the defeat of this bill in the New York Legislature will be felt in other states where this legislation is now being debated.

Representatives of the National Insurance Buyers Association attended hearings on this legislation as observers.

New York High Court Holds Loss of Consortium not basis for Negligence Suit

In the case of *Don vs. Knapp*, the New York Court of Appeals has held that in New York State a wife does not have a cause of action for the loss of her husband's consortium because of negligence of another. This is the first instance in which the court has passed on this question, although in New York Supreme Court a judge recently upheld such a cause of action. Several other decisions sustaining the right, the best known being that of the United States Court of Appeals for the District of Columbia, in the *Hittaffer* case.

The action in this case was instituted by a wife to recover damages for the loss of her husband's "companionship" alleged to have resulted when her husband was injured in an automobile accident claimed to have been caused by the negligent driving of the defendant. If cause of action had been held valid, it would have created a serious situation for insurance companies, from the claim standpoint and would have meant that such a claim could arise whenever a married man was injured by another's negligence. Also, a

judicial declaration of the existence of the right would affect claims for the past three years.

New Electrical Union Agreement may indicate a New Trend in Workmen's Compensation Insurance

The New York Local No. 3 of Electrical Workers-AFL, through a spokesman for the "Joint Industry Board of the Electrical Industry" representing both labor and management in this field, have announced a new labor-management agreement, under which employees are required to replace individual workmen's compensation policies now carried, with a group plan to be placed with the New York State Insurance Fund.

Unions generally are taking a much greater interest in workmen's compensation insurance and many locals are setting up committees to handle workmen's compensation cases for members.

In the case of Local No. 3 of Electrical Workers Union, New York, complaints have been filed with the New York Insurance Dept. and State Fund. Should a decision in favor of the union result, it may be assumed other unions will immediately ask for the same consideration in new labor contracts, not only in New York State, but throughout the country.

CHICAGO

Mid-West Insurance Buyers Association, Inc.

The April meeting of the Mid-West Insurance Buyers Association was held at the United Air Lines Auditorium. Dinner served was the dinner served on the United's Mainliner.

At this meeting the premiere Chicago showing of a new United Air Lines film entitled "Career" depicting stimulating appreciation of benefit plans was shown. There was also an exhibit, a comprehensive display of booklets on group benefits and pensions together with the various forms used in conjunction with these plans.

For the information of other Chapters, United Air Lines new film "Career", and the exhibit will be available after April 15th. If Chapters wish to take advantage of the United's offer to furnish this film and exhibit, they may contact Mr. Frazier S. Wilson, Manager - Insurance Division, United Air Lines, United Air Lines Building, Chicago 38, Illinois.

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Publicker Industries

Secretary - J. Stephen Peters,
Pennsylvania Salt Mfg.
Co.

Treasurer - E. N. Gilbert, Penn
Mutual Life Insurance
Co.

CALIFORNIA

Southern California Insurance Buyers
Association, Los Angeles

Southern California Insurance Buyers Association recently presented past presidents J. T. Parrett of Carnation Company and C. L. Robinson of Hughes Aircraft Company engraved gavels.

President W. A. Miller of Lane-Wells Company is planning to set up a committee of "arrangements and publicity" which will handle programs and newspaper publicity. We suggest that the other Chapters follow Mr. Miller's action.

C. L. Robinson, past president of the Southern California Insurance Buyers Association, Insurance Manager for Hughes Aircraft Company, has moved to San Francisco and taken a position with California & Hawaiian Sugar Refining Corporation, Ltd.

Our recent questionnaire "Let's Get Acquainted" has received wonderful response. Commencing with the June issue, we will publish a brief history of the companies represented by membership in N.I.B.A. Companies will be listed in alphabetical order, and as much space will be allotted as is practical. Your company will be listed in one of our issues. Look for it!

Also in our June issue, we will publish photographs of our Regional Vice Presidents, followed in our next issue by photographs of N.I.B.A. Directors.

PENNSYLVANIA

Delaware Valley Chapter, Philadelphia, formerly Pennsylvania Chapter, recently held an election and the following officers were installed for the new year:

President - Thomas R. Ambler,
Smith, Kline & French
Laboratories

Final Loss Figures for General Motors Fire Announced

The General Motors record-breaking Livonia Township loss of August, 1953, is now a closed transaction. The final figure was \$30,000,000. Of this \$28,000,000. was under the regular schedule and constituted the amount of the insurance applicable. Furthermore, there was some \$4,000,000 under builders risk policies and the loss on that score was about \$2,000,000.

This is the largest single risk loss on record.

EARNINGS INSURANCE

A new Business Interruption Form, known as Earnings Insurance was approved by the N.Y.F.I.R. (effective February 23, 1954) for all risks other than Manufacturing. This form was designed for the average retail merchant. It has the advantages of being brief, worded in simple language, and easy to explain. It covers loss of earnings sustained, less operating expenses which do not necessarily continue, during an interruption of the Insured's business caused directly by the perils insured against damaging or destroying real or personal property on the described premises.

Earnings is defined as Net Profit plus payroll expense, taxes, interest, rents, and all other operating expenses earned by the business. Payroll expense may not be eliminated.

There are no Coinsurance Requirements. Instead, recovery for loss during any 30 consecutive calendar days is limited to 25% of the total amount of "Earnings Insurance."

In order to be adequately covered, the Insured should carry an amount of insurance equal to four times his highest earnings for any period of 30 consecutive days. If this is done, he will be able to recover his loss in full even though it should occur during a peak 30-day period of earnings.

THE NEW WORKMEN'S COMPENSATION AND EMPLOYERS' LIABILITY POLICY

MR. R. V. ALGER, *Assistant Secretary*
Compensation & Liability Department

THE TRAVELERS INSURANCE COMPANY
Hartford, Connecticut

in an address before the

New York Chapter—National Insurance Buyers Association, Inc.

February 25, 1954

New York, N. Y.

The standard Workmen's Compensation and Employers' Liability policy is comprised of two divisions commonly referred to as Item 1-a and Item 1-b.

Item 1-a is designed to take care of the employer's obligation under the Compensation Act for traumatic injuries, and also for occupational diseases to the extent that the Act applies. Item 1-b is designed to cover the liability that may be imposed upon the employer by law for traumatic injuries arising out of and in the course of employment.

When the standard policy was originally drafted, it was considered that the employer was protected for all claims that could be made against him by his employees under the Compensation Act or at law. It also gave him protection under Item 1-b if the Compensation Law was declared unconstitutional.

Developments through the years have changed the situation so that additional endorsements are now necessary to properly cover the employer's obligations under the law and also to assist him in maintaining good relations with his employees. It is about these supplemental coverages I wish to speak this afternoon.

Item 1-b

TRAUMATIC INJURIES -- As Compensation Acts are not "all inclusive" with respect to all employments or all accidents, the Employers' Liability feature is necessary in order that the employer may be protected for claims or suits brought against him by his employees for accidental injuries that do not come within the Compensation Law.

In recent years several types of cases have illustrated these things:

Some years ago we started hearing about the so-called "liability over" type of case. This related to a situation where an employee of one employer would sue another

party and then that party would bring an action against the employer. This is illustrated by the developments in a New York case of the Westchester Lighting Company vs. the Westchester County Small Estates Corporation. In that case employees of the Small Estates Corporation broke through a gas main maintained by the Lighting Company in a public street and in some manner enclosed the fracture in a drain laid by them to a house on an abutting lot. Another employee of the Small Estates Corporation working in the house was asphyxiated and the administratrix of his estate secured a judgment against the Lighting Company. In turn, the Lighting Company, maintaining that it was perfectly within its rights in having a gas main in the public street and not having been negligent in its operation or maintenance, brought action against the employer of the deceased, the Small Estates Corporation, and secured a judgment. This was one of the early "indemnity over" cases and at that time there was no provision in the Compensation policy for defense of such a suit and the general Liability policy excluded employees, as it still does. Obviously, a case of this kind created an untenable position for the employer and the insurance companies resolved the situation by extending the Compensation policy to provide coverage under 1-b.

Still later there appeared the loss of consortium type of case, the most notable of which was *Hitafer vs. Argonne Company, Incorporated*, which was decided by the United States Circuit Court of Appeals for the District of Columbia and later upheld by the Supreme Court of the United States. In those decisions it was held that the United States Longshoreman's and Harbor Workers' Act which, of course, in effect, is applicable in the District of Columbia, was not a complete defense against a suit brought by a wife against the employer of her injured husband for loss of services and consortium. While

there have been other decisions holding that the Compensation Law in such a case is a good defense, there is no uniformity. In cases where the Compensation Law is not a good defense, Item 1-b of the contract protects the employer.

The most recent developments that may involve this section of the policy are the loss of hearing cases about which you undoubtedly have read. While so far I believe the decisions with respect to such injuries have held that the Compensation Law applies, there is no guarantee that all jurisdictions will follow the same course. If they do not, then the Employers' Liability Section 1-b of the contract will be available to the employer.

While I am not aware that any serious attempt has been made to do so as yet, I would not be surprised to hear that through union activity or the ingenuity of some attorney, claims were being made for impairment of vision. If that ever comes about you can well understand that insurance underwriters will certainly have justifiable grounds for making claims, what with all that "small print" we always keep hearing about.

Actually, this section of the policy can be considered as protecting the employer against the unknown developments with respect to traumatic injuries to his employees and not specifically provided for by the Compensation Act. No one can foretell what new developments will arise. Considering that and also the high verdicts and increasing demands for higher limits for General Liability or Automobile coverages, there is a very serious question as to the adequacy of the \$25,000 accident limit which applies in all but four states. The charge for higher limits is modest.

OCCUPATIONAL DISEASE -- Occupational disease has been defined briefly as one which is peculiar to or incident to a particular employment and one to which employees in general or the public is not exposed. Since the emergence of a great many silicosis cases some twenty to twenty-five years ago, Compensation Laws in most of the states have been amended to include all occupational diseases or a specific schedule of them. A few states have no provision as yet. However, the trend is to expand the Compensation Laws to include more and more occupational disease exposures.

To the extent occupational diseases are not under the Act, the basic policy provides no coverage. Therefore, it is necessary in those states having a limited schedule or having no provision that the policy be extended under Item 1-b to provide coverage.

Even though an employer may not consider that his operations can possibly involve any conditions that would cause disease, he can never be certain. Consequently, he should insure against that risk.

The basic limit in all but four states is \$5,000 per person with an aggregate limit for the policy year of \$25,000. Under today's conditions such limits obviously are very low and serious consideration should be given to bringing those limits in line. The cost for higher limits varies, depending on the actual exposure, but unless the risk's operation involves a specific occupational disease hazard, the charge is not great.

DISEASES NOT OCCUPATIONAL -- Included under this heading are those diseases for which an employer may be held liable and which would not be considered occupational in nature. This, frankly, is a rather indefinite grouping and the ultimate possibilities are not known. What we do know is that we are witnessing a social evolution which, to a greater extent, is resulting in a levy against the employer for any injury or distress to his employees. Two states have recognized this -- New York and New Jersey -- and the standard policy issued in those states now affords coverage for such diseases up to an aggregate limit within the policy year of \$50,000. That limit may be increased for a small premium charge.

There is a growing demand for extension of policies to exclude this added feature.

EXTRA LEGAL MEDICAL COVERAGE

The Compensation Laws of nineteen states provide for only a limited amount of Medical Payments and, from a legal standpoint, the employer has no obligation to pay any more.

Medical and hospital costs are soaring. Modern drugs have greatly added to life expectancy and many types of cases that formerly were of short-term disability ending in death now respond to treatment and the patient lives out his normal life span. If the act has only limited Medical and Extra Legal Medical is not purchased, injured employees might have to forego treatments or become a burden on society or friends. Their cases receive a lot of publicity. In recognition of these conditions, a high percentage of employers, particularly large ones, are motivated to buy Extra Legal Medical coverage.

ALL STATES COVERAGE

With the transportation facilities available today, there is an increasing number of

risks that have expanded their operations into more than one state and many in the course of a policy year send employees into other states and possibly hire employees locally. Even though the contract at inception is written to cover all the states where operations have been conducted previously, there would be no coverage under Item 1-a of the policy for any other states. As the employer may not know where he may have additional exposures and as the only way at the present to afford legal Compensation coverage in additional states is to comply with the requirements with respect to acceptances of the Act and to make required filings, it has been necessary to introduce a vehicle to bridge the gap. This is most commonly referred to as an "all states" endorsement. In effect, this endorsement sets forth an agreement between the company and the employer that legal Compensation is to be effected in such additional states as soon as the company has knowledge of the exposure. Actually, it is still necessary in many states to take care of acceptances and make necessary filings but in actual practice the existence of an "all states" endorsement on the policy has protected the employer from criticism by state insurance authorities and has been the means of affording Compensation for accidents that occur in such additional states, thereby precluding many common law suits.

While the endorsement makes provision for effecting coverage under Item 1-a of the policy, circumstances can arise where the employee will refuse Compensation and bring a claim at law. In that event, Item 1-b is applicable. This is another reason why adequate 1-b limits should be secured.

Of necessity, the endorsement stipulates that it is not a substitute for legal Compensation insurance and that no protection is afforded the employer for any fines or penalties which may be assessed against him. However, I have never seen a case where a penalty has been levied against an employer when his policy carried an "all states" endorsement.

Although this endorsement is known as an "all states" endorsement, it should be pointed out that no coverage can be afforded in the monopolistic State Fund states. It should also be pointed out, and I am sure you will fully understand the reasons therefor, that some difficulty might be encountered in securing attachment of the "all states" endorsement where the employer has two or more insurance carriers.

OFFSHORE COVERAGE

Whereas employers customarily perform-

ing operations (excluding masters and members of the crew) of one kind or another on board vessels in navigable waters realize the necessity for coverage under the United States Longshoreman's and Harbor Workers' Compensation Act, it is a fact that a great many employers having only occasional exposure under such Act have no insurance for it. Any risk which directly or through sub-contractors perform any operation aboard a vessel in navigable waters should make arrangements for extension of the policy to cover this Act.

If the exposure under the U.S. L. Act is only a possibility, the "all states" endorsement will afford the employer coverage in the same manner as outlined above with respect to states not specifically included in the schedule.

VOLUNTARY COMPENSATION

No discussion of supplementary coverages would be complete without reference to voluntary compensation. Properly used, it is an excellent device. Suffice it to say that improperly used it can transform the policy into a hodge-podge of coverages and bring about criticism of the employer and the carrier by the insurance authorities.

It is properly used to

1. Bring excepted employments under the Act where there is no statutory provision to do so.
2. Extend benefits of a selected state Act to operations not under any Compensation Law such as masters and members of the crew of vessels.
3. Extend benefits of a selected state Act to U.S. nationals sent to foreign countries. This is particularly helpful if the extraterritorial feature of the home state Act is limited in time such as Pennsylvania, which has a 90-day limit.
4. Remove any possibility of doubt as to the applicability of the law in certain situations such as employees participating in athletic activities sponsored or encouraged by the employer.

No two risks of size have identical characteristics and the need for these supplemental coverages and limits varies considerably. One risk may operate entirely in one or two states which are full medical states and have all occupational diseases included in the

Compensation Act. Others, and among large risks this is usually true, several states are involved even though operations in many of the states may be limited to salesmen or servicemen. It is to risks in this latter group that I would recommend careful consideration of those additional coverages that will protect each risk against the liability imposed by the Compensation Act or by law. Also, that all risks analyze their policies to be certain that the limits are in line with present day requirements.

NEW WORKMEN'S COMPENSATION AND EMPLOYERS' LIABILITY POLICY

The standard Workmen's Compensation and Employers' Liability policy which we are now using outgrew its suit a long time ago and we have been letting it out here and there and adding a lot of patches so that it is difficult, even for an experienced underwriter, to figure out the coverage when several states are insured under one contract. Lack of uniformity among the states as to benefits, means of effecting statutory coverage, and rules of procedure have greatly contributed to the situation. I know that every one of you at one time or another must have wondered why the companies have not done something about this.

Need for changes was recognized but until recently it was felt that attempt to change the standard policy might upset the applecart and instead of having at least a uniform basic policy, we might find ourselves faced with a different policy for each of a great many of the states. It was reasoned that that would create considerably more confusion than already existed.

However, a start was made about three years ago and since then committees of the National Council on Compensation Insurance have been working on a revision of the policy. This has been done on an industry-wide basis with the assistance of many of the independent rating organizations. Having sat in on several of the committee meetings, I realize what a tremendous undertaking this change has been.

In the development of the proposed policy, two major objectives were sought to be accomplished. The first of these is a simplification of the form of the policy and a clarification of its various provisions in light of the companies' accumulated experience with these provisions, the vast body of court decisions interpreting and construing the policy and the obligation of the companies to meet the developing needs of employers for coverage tailored to their practical requirements.

The second major objective is the elimination of a very large number of endorsements which are required to adapt the current policy form to meet the different coverage needs of individual employers, the administrative regulations of the various supervising authorities and the requirements of the manuals with respect to premium bases and the other rating elements. As an indication of the advantages in this regard to be had from the adoption of this new policy, it is expected that the following may be completely or partially eliminated:

All statutory endorsements and also endorsements which have not been incorporated in some of the statutory endorsements, such as:

- (a) Employee Endorsement
- (b) Endorsement Interpreting Paragraph One (b)
- (c) Overtime and Limitation of Remuneration Endorsement.
- (d) Amendments of provisions relating to Loss and Expense Constants.

The basic concept upon which the policy is based is the undertaking to provide statewide Workmen's Compensation and Employers' Liability for all operations of the insured in a state designated in the declarations. For the statutory citations used in the present state endorsements to make the policy operative with respect to Workmen's Compensation Laws is substituted a declaration that the policy applies to the Workmen's Compensation Laws of specified states. Having thus specified the states in which Workmen's Compensation coverage is to be afforded, the Employers' Liability coverage is automatically afforded with respect to all operations of the insured in the named states and operations necessary or incidental thereto.

In addition, under the Employers' Liability coverage agreement, broad common law disease coverage is afforded. Thus "disease" coverage has been included in the policy instead of the "occupational disease" coverage afforded by endorsement to the present policy. Unlike the present policy which requires the attachment of one or more selected endorsements to extend the coverage for disease on various limit bases, the Employers' Liability coverage when considered in conjunction with the Workmen's Compensation coverage approaches the ideal of giving an employer virtually complete protection with respect to claims by employees for work injuries.

In the declarations is specified the name of each state in which the insured conducts operations which are to be covered under the policy. The policy covers the entire liability

of the insured under the Workmen's Compensation Law of each state designated therein.

Coverage B states the company's undertaking, subject to the applicable limit of liability stated in the declarations, to cover the liability imposed by law upon the insured because of bodily injury by accident or disease sustained by his employees arising out of and in the course of their employment. Such coverage applies only with respect to operations of the insured in any state specified in the declarations and with respect to operations necessary or incidental to such operations.

In Insuring Agreement III the definition of "Workmen's Compensation Law" is so drawn as to bring within Coverage A the Workmen's Compensation and Occupational Disease Law of each state specified in the declarations but does not include those provisions of such law which provide non-occupational disability benefits. A definition is necessary to make clear that the same injury cannot be a "bodily injury by accident" and a "bodily injury by disease."

Because the proposed form of policy provides coverage for all operations within a state designated in the declarations, an exclusion is necessary to exclude coverage for any operations in such state which are otherwise insured or are self-insured.

An exclusion recognizes that insureds having commercial operations often have domestic or farm labor, but do not wish to secure Compensation for such employees unless required to do so by the statute. With this exclusion, such coverage is eliminated but can be afforded by describing such employments in the declarations.

Under the endorsements now in use with the current policy, no coverage for common law liability for disease is afforded unless incapacity from such disease results within twelve months after the end of the policy period. An exclusion in new policy rules out coverage for any common law disease claims unless brought within thirty-six months after the end of the policy period and eliminates the requirement that incapacity result within twelve months after the policy terminates. This change has the effect of broadening somewhat the common law disease coverage granted.

Throughout the proposed policy, complete reliance is placed on the "manuals in use by the company" in expressing the policy provisions with respect to the application of premium bases, the determination of premiums and the effect of changes in classifications,

rates and rating plans, including such changes required for law amendments affecting benefits. This device makes unnecessary numerous provisions now appearing in the several state and other endorsements.

Eventually this plan should eliminate the necessity of getting acceptances completed and filed. When that has been accomplished, all that will be necessary to effect statutory Compensation is to add the state or states to the policy.

This new policy has been approved in all but four states in which private carriers can write Compensation Insurance and it is hoped that the four remaining states will have approved so that the policy can be introduced on a countrywide basis within a few months. I am confident that this new policy will have a very good reception by all interested parties.

(END)



FINE PRINT DEPARTMENT

It is not permissible to fire a waiter because he is writing a book about the customers and the restaurant owner.---A New York arbitrator.

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A night watchman may be eligible for overtime pay, even while asleep on the job.---N. J. State Superior Court.

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A "friendly kiss" from the boss is assault and battery.---Judge O.Z. Ide, Detroit.

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A man can kiss his secretary without being guilty of disorderly conduct.--- Judge George B. Weiss, Chicago.

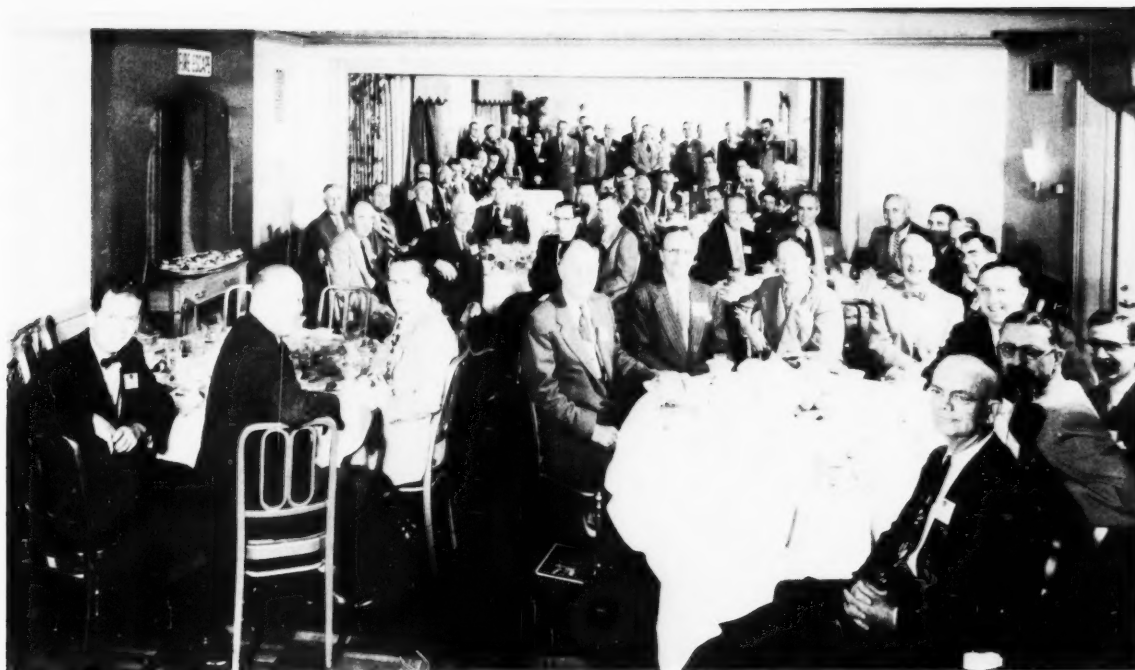
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It's not a crime to punch a waiter in the nose if he shows up with the wrong dinner.--- Marinette, Wis., Court.

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A seamstress, who claims she can only work in her own home because bus rides make her sick, is eligible to collect unemployment compensation.---N. J. State Superior Court.

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*Second Annual Membership Meeting NIBA
Drake Hotel, Chicago, Illinois, November 11, 1953*

OUR ADVERTISERS

With this issue we launch the advertising program which was approved by the Board of Directors at the November meeting in Chicago.

Under normal circumstances it is unquestionably proper to assume that those who advertise in a publication such as ours do so in the belief that their investment will be returned many times over in business received.

We have every reason to feel, however, that the firms whose ads you will find in this issue are there primarily because they wish to support the activities of the insurance buying profession, and the aims of NIBA. We wish to express our thanks for this support and commend them to you as the occasion may permit you to use any of their services.

MULTIPLE LINE INSURANCE AND ITS VALUE TO THE INSURING PUBLIC

ROY C. McCULLOUGH, *Manager*
Multiple Peril Insurance Rating Organization
New York, New York



The subject of multiple line insurance has received extensive discussion for the last six or seven years. Everyone in the industry has been bombarded with speeches, articles and advertising using the two magical words "multiple line". At the risk of unnecessary repetition of what you have already heard, I will, for the sake of clarity, make a few preliminary remarks concerning just what is meant by multiple line.

Prior to the passage of multiple line legislation a fire and marine insurer was not permitted - in most of the important states - to write such casualty coverages as burglary and theft or liability insurance. Conversely, a casualty insurer could not write fire or marine coverages. The multiple line laws were amendments to the statutes governing the underwriting powers of insurance companies. They changed these laws so that a fire and marine company could, if it met the necessary capital requirements, write the various casualty coverages. At the same time, casualty companies were permitted to write fire and marine insurance in their own right. All but two states - Arizona and Ohio - now permit this to be done.

Although even this change in underwriting powers was resisted originally, it is now

generally agreed by almost everyone in the business that it was a sensible development. Thus, it is no longer necessary for a fire company to organize a casualty subsidiary if it desires to enter into the casualty business, nor does a casualty company have to organize a fire and marine running mate for the purpose of handling fire coverages. The direct benefits of such a change are felt mostly by the companies themselves. The need for unwieldy corporate structures, several companies within a fleet, large investments in subsidiaries, and the general paper shuffling that went with the old idea of rigid compartmentalization of the business has been eliminated. In addition, permitting multiple line reinsurance without distinction as to whether the reinsurer was originally designated as a fire or casualty company, has undoubtedly increased the capacity of our domestic reinsurance market. These benefits are more directly felt by management, to the extent that simplification has decreased expenses which are inevitably charged back in the form of rates, the public has gained greatly.

The greatest benefit, however, to the insurance buying public flowing from the passage of multiple line legislation stems not from the change in the corporate structures and underwriting authority in itself so much as the changes which are now possible as to forms of insurance coverage - the insurance product itself.

Since, prior to multiple line laws, a fire company could not write casualty coverages or vice versa, it was not practical to combine in one policy fire, marine and casualty elements. About the only exceptions were the combination automobile policy where two companies were used on a single contract, and the personal property floater where the device of labelling a combination of fire and casualty coverages as inland marine permitted a combination coverage. Today any prohibition against putting fire and casualty coverages together on the same piece of paper has been removed and in almost all states it is now possible to produce combination contracts.

Now there are, of course, several ways of accomplishing this result. One way of doing it is to add casualty endorsements to a standard fire insurance policy. Thus, in the resi-

dential field, we have limited theft endorsements now being added to fire policies. A second way of putting fire and casualty coverages on a single piece of paper is by the schedule type of contract where various coverages are listed on the front of the policy, and the limits and premium for each peril are inserted according to the desires of the policyholder. An example of this is the usual combination of automobile physical damage and liability policy, and another familiar example is the comprehensive dishonesty, destruction and disappearance, or "Three D", policy.

The third method is to work out an integrated policy covering many perils without option to the policyholder and sold at an indivisible premium. Such policy might be on a named peril basis or an "all risks except as hereinafter excluded" basis. In MPIRO, as our Organization has come to be known, we deal with the third type of contract - the indivisible premium method. That is not to say, however, that we think other approaches are wrong or that our method of developing multiple line contracts is the only proper method. There are some situations where a schedule type of policy is indicated as more desirable than the indivisible premium method. On the other hand, we believe that in many cases the indivisible premium approach presents certain advantages; and, in the area where we see the need and opportunity for simplification that this method brings with it, we are proceeding to get something done.

What do we mean by the indivisible premium concept? Simply that coverage of several perils is sold without separately specifying the charge for each separate coverage. The extended coverage endorsement is a familiar example. A single rate of, say, 8 cents is charged for the coverage against the combined perils of wind, hail, explosion, smoke, falling aircraft, vehicles, and riot and civil commotion, without specifying any particular portion for the single peril of wind or any other component. Many of the marine policies with which we are all familiar use the same technique.

The big advantage of package policies to the insuring public is that these policies give greater protection. Insurance is such a big business, and we sometimes get so closely wrapped up in the day-to-day execution of that business that we are inclined to forget that it is, relatively speaking, a new business, and being a new business and despite the present vast amount of insurance protection sold, there still remains a huge area to which the insurance device can and should be applied to lessen economic loss and human misery.

Almost everyone buys fire insurance, but up to a few years ago relatively few people protected their homes and commercial enterprises against loss or destruction by wind or explosion. In the last fifteen years through the introduction of a package contract that we now all know as the familiar extended coverage endorsement, we have reached a point where a typical fire insurance company may well have seventy percent of its dwelling risks covered not only against the peril of fire, but also wind, explosion, riot, aircraft and vehicle damage, and smoke. So long as disasters such as recently occurred at Waco, Texas; Worcester, Massachusetts; and Flint, Michigan, recur, the financial disasters caused by these tragedies can be alleviated to some extent by the widespread sale of insurance. One of the general reactions to the disaster in Waco, Texas, was surprise that only about half of the policyholders in that area were insured against windstorm damage. While this figure is somewhat below the national average, we can only wonder what it would have been if the extended coverage endorsement had not been available for steady sale over a number of years prior to this tragedy.

Insurance, of course, is sold, not bought. Only in a few areas such as workmen's compensation, automobile liability and the sale of mortgaged real estate are there situations which compel the purchaser to seek out the insurer. Apart from these areas, our whole business depends in the first instance on the attractiveness of our product not only to the customer, but to the producer who must bring it to the customer's attention. If, therefore, it is possible by the use of well-conceived package policies to present combinations of what have previously been considered separate coverages, that will lead to wider sales of coverages already on the market in separate form, the insurance industry is rendering a great service to the society of which it is a part. It is helping to alleviate the human misery and financial burdens that come with catastrophes.

When we speak of catastrophes we are generally referring to conflagrations like the San Francisco fire, the Texas City explosion, and windstorms. These shocking and spectacular events should not make us lose sight of the fact that minor events can cause a financial catastrophe to individuals and whole families. A homeowner faced with the loss of his home due to a judgment arising from an uninsured liability claim brought by someone injured due to the condition of his house is facing something that is just as much of a catastrophe to him as would be the case if the roof had been blown off. The other day our plumber was at our house and was tell-

ing me of a job which had kept him up all the previous night. While the owner was away on a short trip the heating system had failed. This particular house used a radiant heating system with the pipes concealed in the floor. After the pipes had burst from freezing, the water had soaked through and removed all the plaster on the ceilings and most of the walls of the entire first floor of the establishment. My friend, the plumber, estimated the damage to house and furnishings in terms of several thousand dollars.

While this type of occurrence may be relatively rare, nevertheless, if it is possible to be insured against on some practicable basis whereby the losses of the few can be ratably shared by all those exposed to such losses, the insurance device has again been used to good advantage.

To sum up, then, while there are a number of perils such as fire that are almost universally insured against, there are others such as windstorm where coverage is not as widely purchased as it should be, and there are still other perils such as liability, water damage, collapse, etc., where the coverage in terms of the percentage of those eligible, is almost trifling. However, even as to hazards where need for some insurance is universally felt, the insurance business still is scratching the surface as far as securing proper amounts of coverage is concerned. Almost everyone now buys fire insurance on the home he owns. We are constantly surprised, however, at the vast number who carry either no fire insurance on the contents of their homes or some small policy that has absolutely no relation to the values exposed. This is true in the case of fire insurance and, to an even greater extent, extended coverage. Again, if we can find some device to bring adequate insurance to value, we are giving the public the coverage it badly needs and does not have.

So far I have avoided any mention of the question of rating techniques or price. These are important factors, but as far as the public is concerned, the greatest advantage it will secure from an expansion of underwriting facilities of the insurance business is the greater protection afforded. The matter of cost, however, is bound to play a large part in the extension of insurance coverages. These are two areas in which the cost of insurance can be reduced through the combination of several policies into one document. The first of these is on the expense side of the premium dollar. Our Organization is the rating body for Homeowners Policies A and B in fourteen states. Homeowners Policy B, for example, includes fire insurance, extended coverage and addi-

tional extended coverage on house and contents, theft coverage equivalent to that usually provided by the residence and outside theft policy, and comprehensive personal liability coverage. The usual method of writing these coverages would be to write three or four policies with a number of endorsements or forms. Under the usual method, you prepare a fire policy and the dwelling form, together with Extended Coverage Endorsement No. 4 pasted on the policy. The Additional Extended Coverage Endorsement is also pasted on. A residence and outside theft policy and a comprehensive personal liability contract would be issued. Depending on how much the policywriter had committed to memory, in order to write these three policies plus the endorsements thereto, he would have to check the territory in either two or three different manuals. He would have to determine his rates by reference to five different parts of three different manuals. To get the total premium for the entire coverage it would be necessary to make six to eight extensions of the amount of insurance times rate, and three additional operations. It is essential to remember that this rating operation is repeated several times, once or twice within the producer's office and again in the company when it checks the policy. Actual preparation of the policy requires not only three different policy forms, but also two endorsements - a total of anywhere from four to six insertions in the typewriter, along with appropriate carbons, and so on. Typing of around 160 words is required under this method. In transmitting and accounting for premiums there are at least three different items to bill, collect and transmit. When report of their execution reaches the insuring company, several sets of codes as to territory and classification must be applied, and anywhere from six to eleven statistical premium cards must be punched, tabulated, summarized and stored.

Now in the case of Homeowners Policy B there is one policy, instead of three. There are no endorsements or forms, instead of three. There is one insertion in the typewriter, instead of four to six. There are 50 words to type, instead of 160. There is one premium item to bill, collect and transmit, instead of three. There is one manual that must be consulted, instead of three. There are no extensions of rate times amount of insurance, and last of all, there are one or three premium cards to punch, instead of six to eleven. Our companies think there are economies in such simplicity. We also think such economies are so clearly demonstrable that they should be reflected in the price charged on this new coverage and the benefits passed on to the public in the form of a reduced premium, not in any attempt to diminish our income, but in the belief that this

reduction will cause him to apply the reduction and a substantial addition thereto to secure the broader coverage afforded by the package policy.

The other element affecting the cost of the package policy is to be found on the loss side of the premium dollar. Strange as it may seem, it has been repeatedly demonstrated that a package contract can be sold profitably at a price considerably less than the sum of all its various components when sold separately. A classic example is the extended coverage endorsement where, in state after state, the price of this coverage giving protection against wind, explosion, riot, aircraft and vehicle damage and smoke, is equal to or less than the rate for windstorm insurance alone. The comprehensive personal liability policy has been sold profitably for a number of years at a \$10 premium, although to duplicate its broad coverage by a combination of the policies which preceded it would cost some \$25 or \$30. One of the factors that contributes to this is selling the package in a controlled amount. Extended coverage insurance, for instance, is sold to only those who buy a fire insurance policy and only in an amount exactly the same as on the peak peril of fire. The purchaser must take all of the perils in the package, regardless of the fact that his own exposure to one of them might be somewhat remote. The selection against the insurer is limited both as to amount of insurance and the peril to be covered.

Another element that must be considered is that with some exceptions those people who buy broad coverage are usually those who are the more desirable risks on the restricted coverage. The people who are interested enough in their belongings to take out extended coverage insurance and additional extended coverage are probably sufficiently concerned with their affairs and interested in safeguarding their assets to make them considerably better than average fire and liability risks.

Two or three years ago when the various package contracts were just emerging, it was constantly argued by one school of insurance thought that on any package policy the price of the whole must be exactly equal to the sum of the prices for all the parts. Gradually, this idea has been less forcibly reiterated, so that among practically all major groups in the insurance industry there is recognition that some sort of reduced premium as a result of the packaging process is a reasonable application of sound rating principles. There is, of course, still quite an area of disagreement as to how large a reduction is possible, how it should be applied, what rating and

statistical processes should be used, and so on. Actual experience with new policies will give us the best answers to these troublesome problems.

There are still some in the business who resist multiple line underwriting or, more specifically, the development of multiple line policies. In general, their protests are variations on the three ancient and time-honored battle cries of those who are resisting changes. How often have we heard them in the insurance business. There are always three excuses for not making the change. The first is: "There is no demand for it." The second is: "Now is not the time." And the third is: "This will produce chaos."

Let's take the first. Of course, there is no demand for new insurance coverages in the sense that the public is clamoring for it. As I said before, insurance is sold; it is not purchased. Although I was pretty young at the time, I understand there was not too large a demand for automobiles until a few manufacturers produced cars that were within price reach of most American wage earners. I think most of us were happy enough with our radios and there was practically no demand for television sets until somebody manufactured receivers and transmitters and put them on the market. The same thing applies to new multiple line insurance coverages. The way to develop a demand for such coverages is to bring out and make available contracts which the producer and underwriter will recognize as a means of increasing sales, and aggressively to solicit their use.

The second rallying cry: "Now is not the time." Of course, an ideal time is never presented. Something else is always happening that seems to interfere with our long term goals. Either the country is at war, or we are in a depression or recession, or some national change is in the picture. Some companies may not now be in a position either as to personnel or as to capital resources when they feel they wish to expand their underwriting activities. There is always bound to be some disagreement as to the exact technique, but there is no assurance that the time will ever be any better than right now, nor that the more adventuresome will be restrained until thinking is unanimous.

The third rallying point of the opponent is: "The new venture will produce chaos." How many times have we heard this in the past! However, somehow the chaos never seems to materialize and we do manage to take new developments in stride and hit upon solutions to even our most vexatious problems that, through the passage of time, come to be commonly accepted and applied.

In our own Organization, therefore, we have brought together a number of sound, conservatively managed and responsible insurers who are going forward with a number of well-designed experiments in multiple line policies of the indivisible premium type.

One of these is the Manufacturer's Output Policy. This is a contract which is now in use in some thirty-six states. It provides, for a manufacturer, coverage against physical damage to all his personal property wherever located in the United States away from his manufacturing premises against all perils except those expressly excluded. He can thus secure a single, nationwide contract covering stocks of goods in warehouses and distribution outlets, imports, exports, goods in transit, salesmen's samples, construction equipment, rolling stock, automobiles, etc., on a reporting form at a single rate covering not just fire and extended coverage, but fire, extended coverage perils, theft, collapse, water damage and a number of other contingencies.

The second type of coverage that our Organization has assisted in introducing is that contained in Homeowners Policies A and B. This is sold to cover owner-occupied houses of one and two families. Policy A covers the house, outbuildings, contents, personal property away from the premises, and additional living expense, against perils of fire, extended coverage and theft. Comprehensive personal liability and medical payments coverage is also provided. Policy B is exactly the same as Policy A except that it provides in addition coverage against the additional extended coverage perils such as steam boiler explosion, some water damage, collapse and landslide, etc. In addition, Policy B gives a larger amount of additional living expense coverage.

The sale of these policies has been sufficient to convince us that we are on the right track. We are convinced that these policies or some future modification thereof, are going to be a permanent fixture on the American insurance scene. We also have the feeling that the same principles that make the Output Policy and Homeowners Policies practical and feasible applications will also lead the insurance business - whether it be through our organization or other groups - to develop other package coverages for other types of risks.

Multiple line insurance is no longer a prospect in the distant future. It is an actuality.

(END)

WHERE IS THE RESPONSIBILITY?

When an employee unwittingly starts a fire or causes other damage, who is to blame? Is it carelessness or thoughtlessness on his part, or has he not been properly warned? Take, for instance, the following examples:

An employee added ether to an asphalt mixture on an electric hot plate. Result: a \$40,000 fire.

A workman was smoking a pipe while drawing paint thinner from a drum into a pail. The pipe fell into the pail and started a \$300,000 fire.

A workman turned gas into a new piping system which still had one pipe uncapped. Result: a gas explosion which wrecked the building and caused \$200,000 damage.

A workman poured dirty solvent into a floor trench, and vapors were ignited by a nearby gas burner. Result: a flash of fire that opened three sprinklers.

A workman opened a valve on an elevated gasoline supply tank after piping had been disconnected. Result: an explosion which killed seven and caused \$300,000 damage.

A workman broke an electric light bulb which he was replacing in a spray booth. Result: ignition of lacquer deposits and \$20,000 damage to leather stock.

A plant guard failed to shut off the water as instructed when the gravity tank became full. Result: a plugged roof drain kept the overflowing water from running off, and water leaked through five floors of the building.

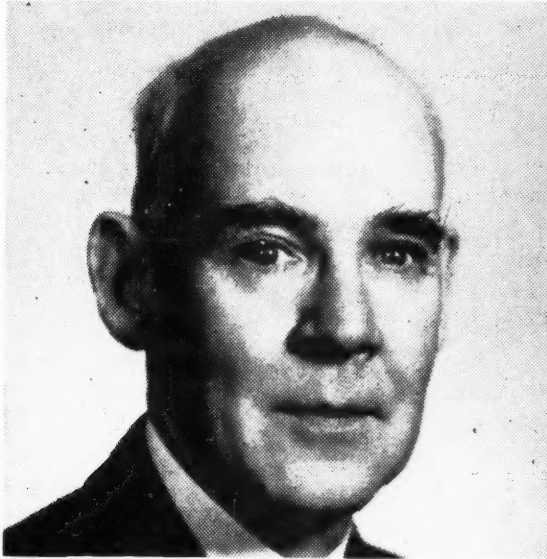
An electrician did not turn off the current before pulling wires through a conduit. Result: arcing which ignited cotton and caused fire and water damage to 170 bales stored nearby.

COMPANY REPRESENTATIVES SHOULD KNOW BUYER'S RISKS AND BE PREPARED TO OFFER PROPER COVERAGES

ELIAS W. ROLLEY, *Comptroller*
Funk Brothers Seed Company

Bloomington, Illinois

President, Central Illinois Insurance Managers Association—NIBA Affiliate
Member AMA Insurance Council



Before discussing the subject at hand let me provide some background for my remarks. For years most managements looked upon insurance as just one of the conventional necessary expenses of a business. They little appreciated the fact that their continued operation might, at any moment, depend upon whether they were adequately protected by insurance.

The job of purchasing insurance was assigned to some officer or employee as a secondary or third rate duty. He, in turn, called in some friend or friends who had an agency contract with one or more insurance companies. They agreed somewhat arbitrarily that they should have so much insurance of various kinds. The policy forms in nearly all instances had been standardized by agreements between the State insurance departments and company representatives. I do not know of another important area of sound management which has been so long neglected.

However, during the past twenty years some appreciation of the importance of in-

surance in keeping a business intact has been forcing itself upon the consciousness of business managers. The duty of providing adequate protection is being made the primary duty of some person in the management section of our business enterprises, in many instances, the treasurer. Gradually the corporate insurance buyer, as he was at first called, manager would be a more appropriate title as his functions include much more than buying, is being recognized as an important member of the corporation managerial staff.

The primary duty of the insurance manager is to protect the assets of his company, whether it be building, machinery, cash or a contingent future liability, known or unknown. He must be fully informed of his company's complete operations, its physical plant, its contracts, its risks of every kind and description. He should be able to distinguish between hazards which should be covered by insurance, those for which his company should set aside reserves and those risks which the company should assume in the normal course of operations. He may be required or may wish to have his superiors, or the company board of directors, approve his recommendations or his action to relieve him of some responsibility.

If he is to protect against certain risks by insurance, he should be able to define the risks adequately and intelligently and be willing to pay adequate compensation for the assumption of those risks by the insurance company.

He has available such aids as excellent texts on insurance, as General Insurance by Magee, F. C. & S. Bulletins, P. F. M. Analyses, National Fire Codes, Books on Industrial Accident Prevention and Fire Insurance Inspection and Underwriting, as well as a number of weekly and monthly publications, as The Weekly Underwriter, to name only a few.

For several years, as a public accountant, I have been rather critical of various segments of the insurance industry. Sometimes

it was the companies for their backwardness in meeting current problems, sometimes it was agents' associations for squabbling over petty subjects as countersigning commissions and sometimes it was the State insurance department for their inadequate supervision and apparent preference for liquidation rather than conservation.

During all this time, the insurance companies have had a dozen or more organizations looking after their interests, the agents have various local, state and national associations to fight for their share of the premium dollar, and the insurance commissioners have regional and national committees to represent them.

The commissioners have been either company employees, representatives of the agency force or an attorney representing one of these groups. Occasionally a newspaper publisher got in on the deal. I do not know of a single instance where you could say an insurance commissioner came from the buyers group. Perhaps this has been largely due to the lack of appreciation among business executives of the importance of the person in charge of insurance in business and industry.

For several years there have been local buyers groups, as Risk Research in New York and the Midwest Insurance Buyers Association of Chicago, but not until three years ago when the National Insurance Buyers Association was incorporated here in Illinois did the buyer have any national organization to whom he could turn for assistance, that is, an organization not primarily interested in getting a part of his premium dollar.

Buyers Groups Organized

Most of the local buyers groups have become chapters of the National Association. Some new local groups, like the Central Illinois Insurance Managers Association at Bloomington, have been organized.

The object of these local associations is to furnish a forum where the insurance executives can meet and exchange experiences in providing better protection for the property and hazards of their companies. It is with the idea that a better informed insurance executive can better discuss with you his company's problems and more intelligently provide you with the information needed to secure the desired protection. The insurance manager's purpose is one of closer cooperation with the agents and the companies rather than one of antagonism which some agents have assumed.

Now as to what we expect from you as agents.

You have had, until recently at least, a more or less standard product to sell, that is, an insurance contract. Great emphasis has been placed, in the past, on standard forms. Comparative little variation has been permitted by State laws and regulatory pronouncements of the various State departments. There has been considerable zealotry on the part of each State department and rules, which were purely arbitrary have been promulgated. Many times these rules had little or no basis from the point of view of the assured.

Some Rules Obsolete

With wider diversification of industry, the introduction of new processes, new means of transportation, changing business conditions many of these rules have become obsolete. It has been a real task in some instances to get them changed to meet the assured's needs.

The old standard forms must be revised. The New York standard policy may not fit a risk in Illinois or Iowa. The method of operation of a plant in Virginia may not be the same as the operation of a similar plant in Arkansas. The detasseling of hybrid seed corn while performed on the farm is an entirely different risk than general farm work. Assureds are more and more insisting that policies be written to fit their particular needs and that rates be set at a figure which will adequately measure the risk assumed. To be sure this means more work on the part of the agent. No longer can you sit in a convenient office and mail the policy to your assured. While we must still have competition in rates, the real competition, if the American agency system is to survive, will be in the service which you give.

In order to adequately advise your client you must know his risk. The type of building, the occupancy, the type of process, what materials he uses, stage at which the product leaves his plant, how long he would be out of business in case of a fire, whether he sells to a few or many customers, whether they are local customers or widely scattered, whether the product is for animal or human consumption, and a hundred and one other things. In fact you should know almost as much about his business from an insurance point of view as he does. To acquire this knowledge you must first win his confidence. As you are more familiar with available forms and coverages as well as insurance company practices and as he is more familiar with his company's operations and needs for protection there should be a mutual exchange of information. You must convince him you are as interested in preserving the assets of his company and protecting it against liability

claims as he is. You should be. If you are not, you'll be looking for a new customer to replace him.

After you have made a complete analysis of his risks, then you should review with him the risks to be insured. You should point out the type of protection which should be provided, where such protection can be secured and what it will cost. While his primary object is in the conservation of the assets of his company, if he pays more than an adequate premium he is wasting his cash. If he pays less than an adequate premium he may not be able to secure reimbursement when losses occur.

At this point let me point out that if you are to spend the time necessary to make such an analysis the insurance manager should give you a sufficient volume of his business that you can afford to service it properly. When a manager scatters his business among so many agents that no one of them can service it properly he is only inviting trouble the day a loss occurs. As a public accountant, I have seen innumerable instances of inadequate protection, non-concurrent policies and overlapping coverage where policies were scattered among various relatives and friends. Occasionally, I have an agent ask about getting a little of our business. Every time one does my regard for him as a reputable insurance agent takes a nose-dive.

I want my agent to spend enough time at our plants to be able to point out the risks I might have overlooked. I want to feel I pay him enough so I can call him or one of his company engineers in to review our plans for new construction. I want his company inspectors to visit us often enough to point out hazards so we can correct them before an accident occurs.

And right here may I add that one of the toughest assignments that an insurance manager has is to sell top management on an adequate safety program. Any aid you can give him I'm sure will be greatly appreciated. This will be particularly true if he has a retrospective plan for his workmen's compensation insurance.

The matter of having adequate first aid equipment is often overlooked and should be included with your recommendations. To provide the right type of first aid equipment a complete analysis of operations and materials is necessary.

These are a few of the more common ways in which you can be of service to your clients. I am sure many of you can think of dozens of other things that should be included.

I cannot close my remarks without point-

ing out some of the subjects foremost in the minds of many insurance managers today. Subjects which are or will be presented to you for solution in the near future.

The first, I believe, is the adequate financing of what is commonly known as welfare plans, pensions, group life, group health and accident, sick leave, salary continuation and so forth, through some form of insurance.

The reduction in paper work in the office of the company, the agent and the assured is an overall industry problem. What a file I must wade through if I want the answer to some simple question about coverage or to be sure we have not overlooked some risk which should be covered or to see that we do not have overlapping coverages. A multiple coverage policy would help. The assured ultimately pays for all this overhead as well as the commissions which you as agents retain.

There is the recurring problem of capacity in times of rapid business expansion. We, in the Midwest, have looked to New York, New England and London to provide primary insurance funds, with large portions going to London. Many of the managers group cannot see the reasons why adequate coverage is not available here in the United States. It appears to be a lack of cooperation between companies. However, they have met this problem to a certain extent by the Oil and Gas Pool. Our insurance department places restrictions on the operations of Lloyds, yet does not provide an alternative.

Then, there is the duplication and multiplicity of rating bureaus, 18 here in the Midwest, I believe. Certainly, it seems to me a better job could be done by regional bureaus. The interbureau advisory group is a start in the right direction.

The increased use of installment premiums, the pay as you go plan applied to insurance as well as to houses or taxes, is another problem yet to be solved.

And, that ever controversial subject of compulsory automobile insurance.

To you young men, the end is not yet in sight. During coming years we will need some real leadership in the insurance industry. Where will it arise, from the companies, among the agents or will it be furnished by this third member of the fraternity, the insurance managers? Certainly, the demands for new leaders will be made by the latter.

You, as agents, must be prepared to contribute your share of that leadership if the American agency system is to maintain its important place in our insurance activities.

(END)

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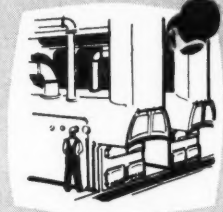
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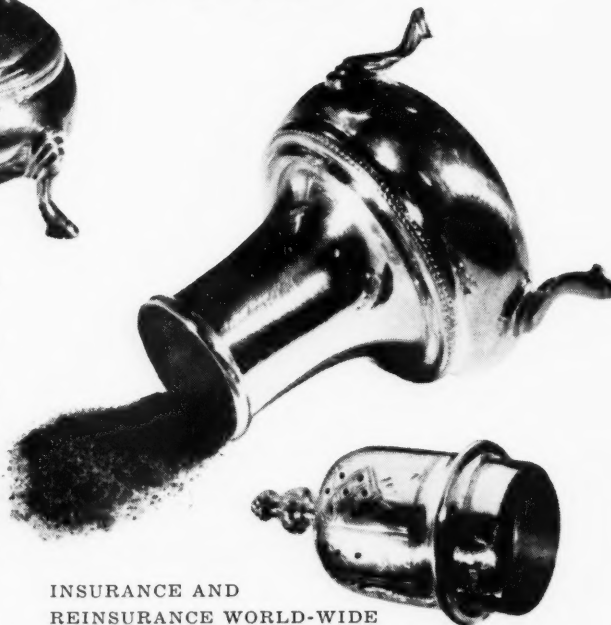
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How the salt

killed

the pepper!



In building approaches to its new factory, a company in Java closed off a dry gully.

When the rains came, the "gully" turned out to be the bed of a river!

The resulting flood ruined a nearby pepper crop. But even worse — the receding waters left a salt deposit on the land. New pepper plants refused to grow!

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